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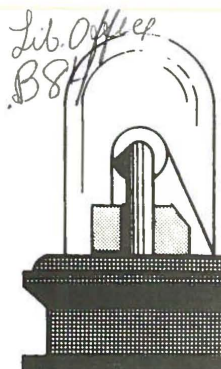
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Naval Postgraduate School

BUSINESS BAROMETER '70

VOL II, No. 6

JAPAN--INDUSTRIAL GIANT CHALLENGES U.S.

After their defeat in WW II Japan has climbed to third place as an industrial power--behind only the U.S. and USSR. Many Japanese leaders believe that Japan will be number one within the century.

Their success is evident when one realizes that the sales territory of Japan is--the world! America is flooded with Sony and Panasonic electronic goods, Honda Motorcycles, Toyota and Datsun are also having great success in the U.S. In Australia businessmen are learning Japanese and as far as Afghanistan and Bolivia the tough Japanese trucks outsell all competition.

Japan's growth rate over the last 10 years has averaged approximately three times that of the U.S. Some facts that substantiate Japan's Industrial progress are:

- 1) Japan has led the world in Ship-building for the last 14 years.
- 2) Japanese automobile production has jumped from seventh to third place in the world in the 60's.
- 3) Japan's output of steel could surpass both the U.S. and Russia by 1975, state some steelmakers.
- 4) Japan uses more computers than any other country except the U.S. and West Germany.
- 5) Japan has moved ahead of Britain as an importer to Australia./1

How has Japan accomplished such stupendous feats?

- 1) The U.S. provides Japan's perimeter defense hence few defense expenditures.
- 2) Relatively cheap labor that is well disciplined and skilled.
- 3) A dependence on modern technology and automation.
- 4) A great sense of pride and esprit de Corps in every worker. This is probably the most important factor.

Will Japan overtake the U.S.? The experts are undecided--what is your opinion?

/1 "Japan's Drive to Outstrip the U.S." U.S. News and World Report, April 6, 1970, p. 26-28.

THE FITZHUGH REPORT--A CRITICAL APPRAISAL OF THE PENTAGON.

Last year President Nixon and Secretary of Defense Laird named a 14 man committee to look at the Pentagon and asked them for a critical appraisal of this military complex. Headed by Gilbert W. Fitzhugh (Chairman of Metropolitan Life Insurance Co.) the final report did exactly that. The Committee claims:

- 1) The Pentagon is overstaffed by 35,000 people.
- 2) Billions have been wasted attempting to make bad weapons systems work.
- 3) Overcentralization in the Pentagon impairs decision making.
- 4) Defense contracts are too large.
- 5) Procurement processes need a complete overhaul.
- 6) The chairman and the JCS should be removed from any operational capacity.

The panel also recommended an overhaul and reunification of the Command system. It would set up a:

- 1) A Tactical Command--to govern all general purpose forces.
- 2) Strategic Command--to govern SAC, missile sub fleet, Continental Air Defense Command, and planning now handled by the JCS.
- 3) Logistics Command--to supply all services.

Fitzhugh's committee has called "a spade a spade!" Commenting on the Pentagon he says, "We're amazed that it works at all, its so big and cumbersome." With regards to the C-5A and Lockheed, he continues, "We don't think there should be a \$3 billion contract that can get a defense contractor into a problem of solvency."

Now that the report has been released the next step will be up to Secretary Laird and President Nixon--the originators of this panel--they asked for it!!

Comments should be directed to SMC# 2540.